

Factsheet 4

VAT, Planning Control and Building Regulations

Empty Property VAT Exemptions.

Significant renovation work on empty homes can be costly. If you carry out work to an existing building you will normally be liable to VAT at the standard rate, but there are concessions which can reduce the costs of your project.

Renovation of residential properties empty for 2 years or more

5% VAT on most costs of renovating a single dwelling which has been empty for 2 years. (see information below under FAQs)

Renovation of residential properties empty for 10 years or more

Zero VAT for raw materials used in renovating a building empty for 10 years. (see information below under FAQs)

Conversion of non-residential buildings into dwellings

Rules for first-time conversions of non-residential buildings (barns, churches, schools, warehouses and offices) are the same as for residential properties that have been empty for 10 years or more.

Converting residential property

Certain conversions which increase or reduce the number of single household dwellings in a property can benefit from a reduced VAT rate of 5%, including: converting a house into self-contained flats; changing the number of self-contained flats in a building already containing flats; converting a commercial building into one or more self-contained flats; and converting a block of flats back into a single house. There is no equivalent reduced VAT rate for DIY work.

Installation of certain energy efficiency measures

Reduced rates of VAT apply to installation of certain energy efficiency measures in residential accommodation, including: central heating and hot water system controls; draught stripping and insulation; solar panels and wind turbines; ground and air source heat pumps; micro combined heat and power units; and wood fired boilers. Energy efficient boilers, secondary or double glazing, and low emission glass are not eligible.

Some frequently asked questions

How does VAT affect empty properties?

If a single house dwelling has been empty for at least 2 years immediately before work starts, your builder can charge a reduced VAT rate of 5% on the cost of the building work. Certain costs remain standard rated, e.g. carpets fitted, furniture, professional services.

A developer or house owner can claim back all the VAT charged in the renovation of a building that has been empty for 10 years. A developer will have to register for VAT and sell the house to claim. (this relief is not applicable where a property is let, other than on a lease exceeding 21 years).

If a single house dwelling has been empty for 10 years and the owner wishes to retain the property and not sell it, they can make a claim under the DIY Builders Refund Scheme. The VAT charged on raw materials used for refurbishment can be reclaimed from HM Revenue and Customs.

If a builder is used, he is able to charge VAT of 5% on the cost of the refurbishment work and the owner can reclaim all the VAT on raw materials purchased by him/herself, and handed to the builder for refurbishment.

What evidence is needed that the house has been empty for the required time?

Customs will accept an official letter from the empty property officer to the developer/house owner.

Customs will also accept electoral roll or council tax data, as well as information from utilities companies.

What do customs mean by “empty”?

When considering when a house was last lived in, you can ignore any:

- illegal occupation by squatters
- occupation by ‘guardians’, and
- use that is not residential in nature, such as storage for a business

A ‘guardian’ is a person who is installed in a property by the owner or on behalf of the owner in order to deter squatters and vandals. He or she may pay a low rent on terms that fall short of a formal tenancy. Alternatively, he or she may be paid to occupy the property.

A ‘guardian’ is to be distinguished from a caretaker or housekeeper who lives permanently in the property. If the house has been lived in on an occasional basis (for example, because it was a second home) in the ten years immediately before you sell or long lease the property, you cannot zero-rate your supply.

Where can I get more information?

Telephone the HM Revenue & Customs National Advice Service on **0845 010 9000** or visit www.hmrc.gov.uk (Please check HMRC for current exemptions).

Planning Control

Planning control is essentially about controlling the use of land and it is normally required to alter, extend or change the use of existing properties, or to make changes to a listed building or to a property in a conservation area. Planning approval is normally required when a previously single occupied property is converted into bedsit units or flats.

Building Regulations Approval

New ‘building work’ must comply with Building Regulations and includes:

- Installation of a service, e.g. washing or sanitary facilities
- Material alterations to the structure
- Conversion to flats
- Extensions and loft conversions
- Some major repairs, including re-roofing, rendering external walls, replacing windows and replacement of heating systems.

Contact your building regulations department to enquire if your work requires consent or to make a building regulations application.

The design, installation, inspection and testing of electrical installations is also controlled under the Building Regulations Part P.

Protecting your property against fraud

You can help to make sure that you do not become a victim of property fraud by:

- Registering your property with the Land Registry
- Keeping your contact details up to date with the Land Registry – see www.landregistry.gov.uk

You’re likely to be more at risk if:

- Your property’s mortgage has been paid off
- Your property is empty or you’re letting it out
- You’re abroad, absent, ill or in a care home

There's lots of information at www.no-use-emptywest.co.uk

You can talk to someone for advice by calling your local authority in the area you live:

Bath and North East Somerset:
01225 396411

Bristol: 0117 352 5010

North Somerset: 01934 426885

South Gloucestershire: 01454 865 565